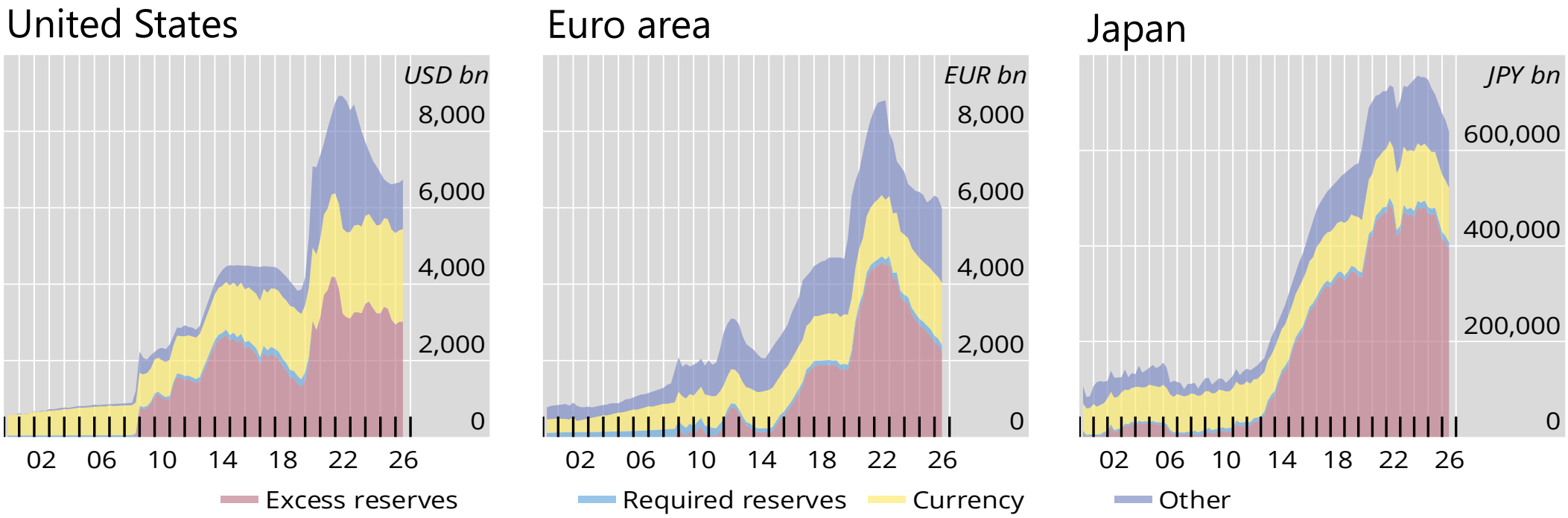


The central bank balance sheet

Pablo Hernández de Cos, General Manager, Bank for International Settlements

Speech at the ECB Conference on Money Markets, 5 November 2026

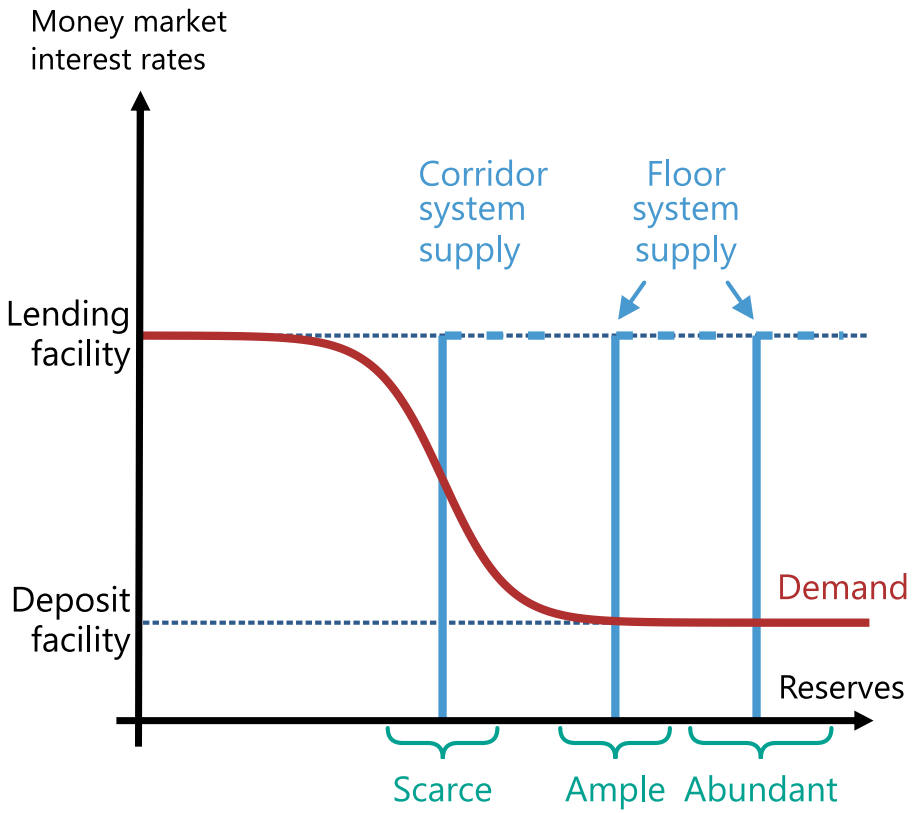
Central bank balance sheet size and liability composition have evolved



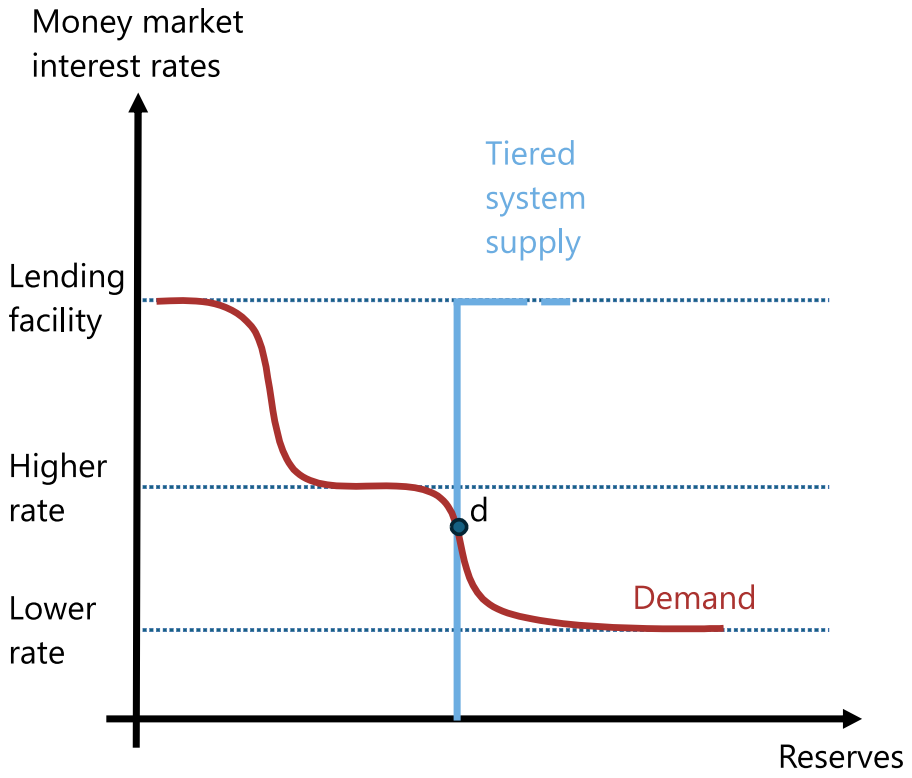
Sources: National central banks; LSEG Datastream; national data; BIS.

Stylised description of operational frameworks

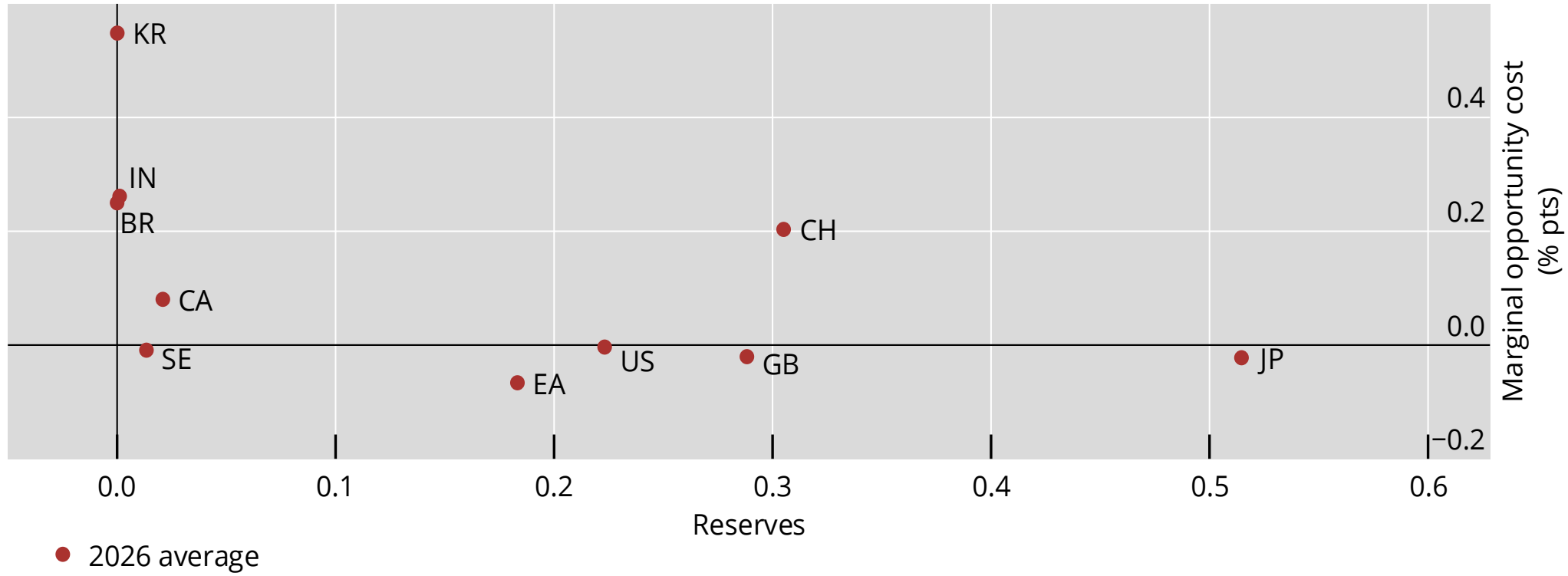
Corridor and floor systems



Tiered systems



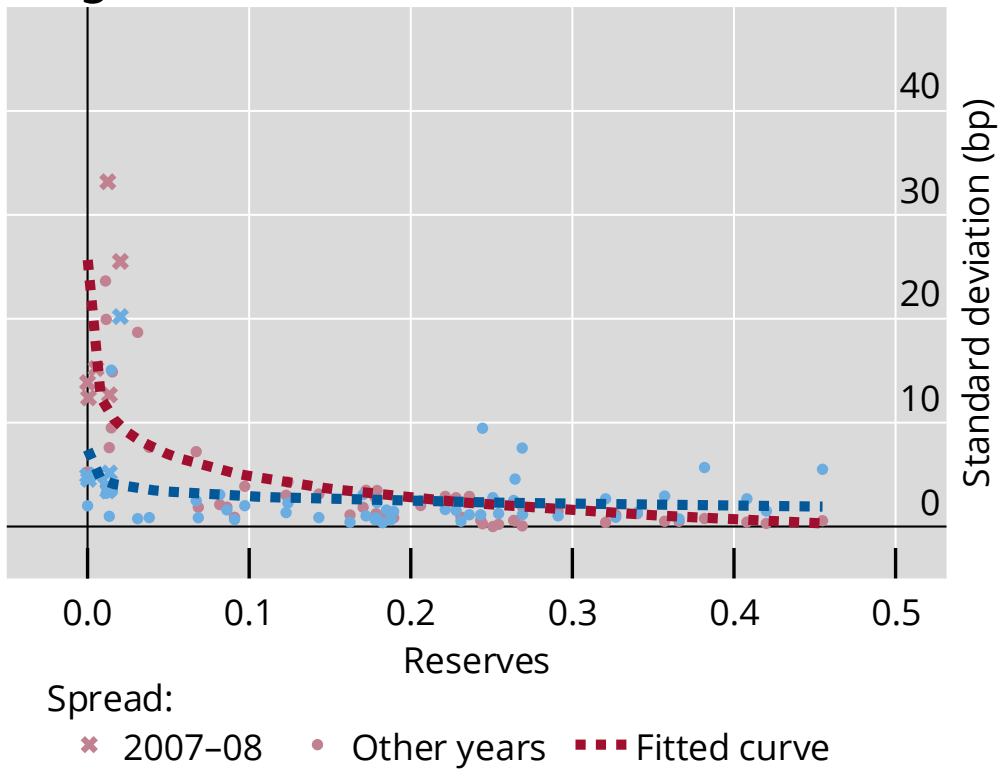
Marginal opportunity costs and reserve levels vary across jurisdictions



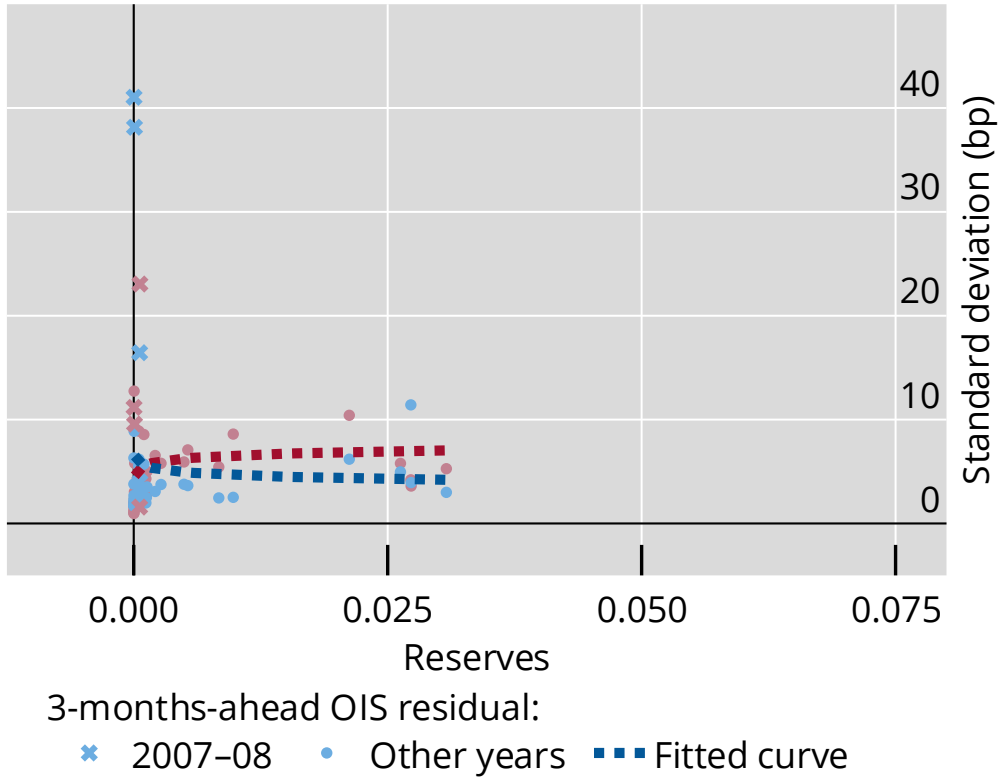
Sources: National central banks; Bloomberg; Financial Benchmarks India; LSEG Datastream; BIS.

Reserves and money market volatility

United States, euro area and United Kingdom



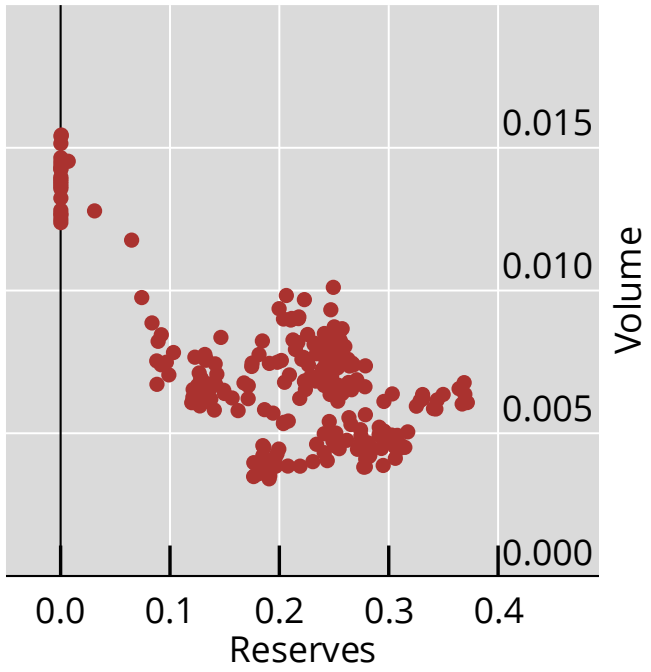
Korea and Mexico



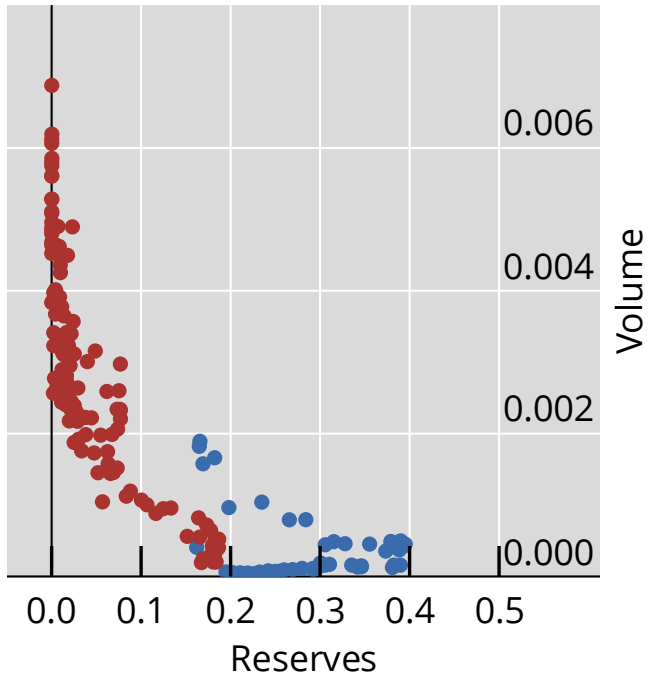
Sources: Cavallino et al (2026), national central banks; Bloomberg; LSEG Datastream; national data.

More reserves decrease activity in unsecured markets but not in secured ones

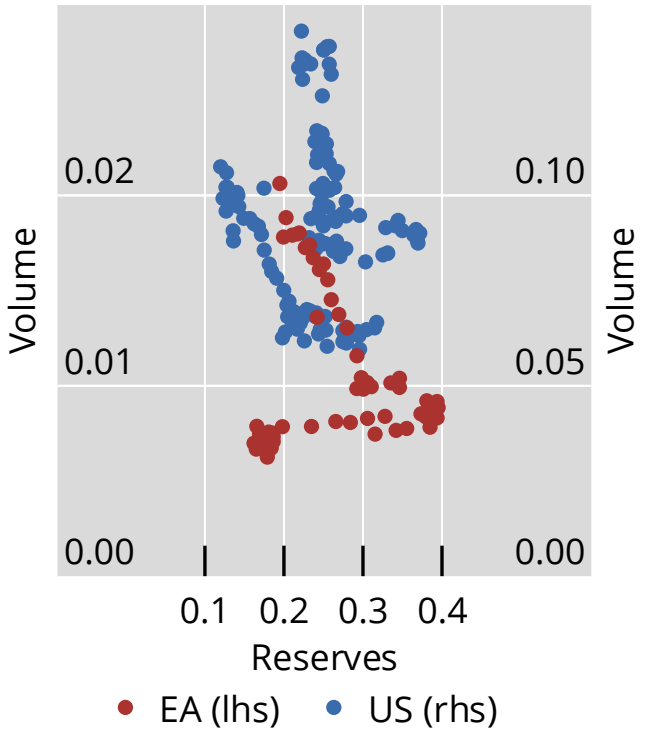
United States – unsecured markets



Euro area – unsecured markets

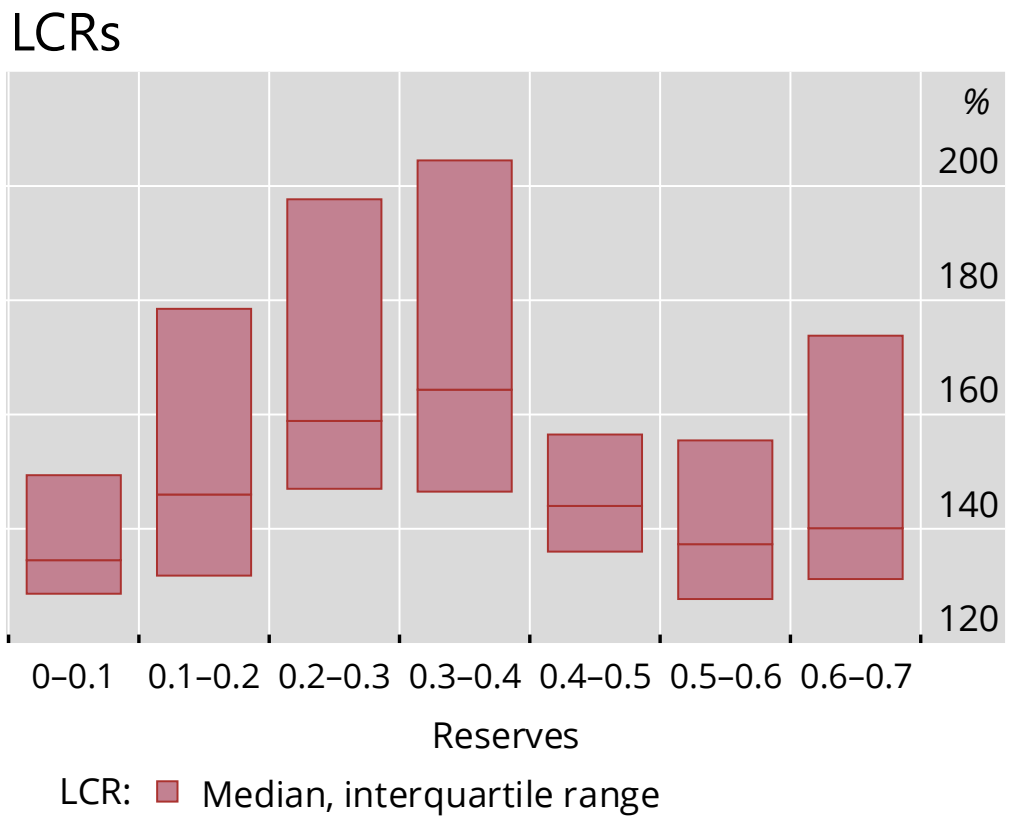


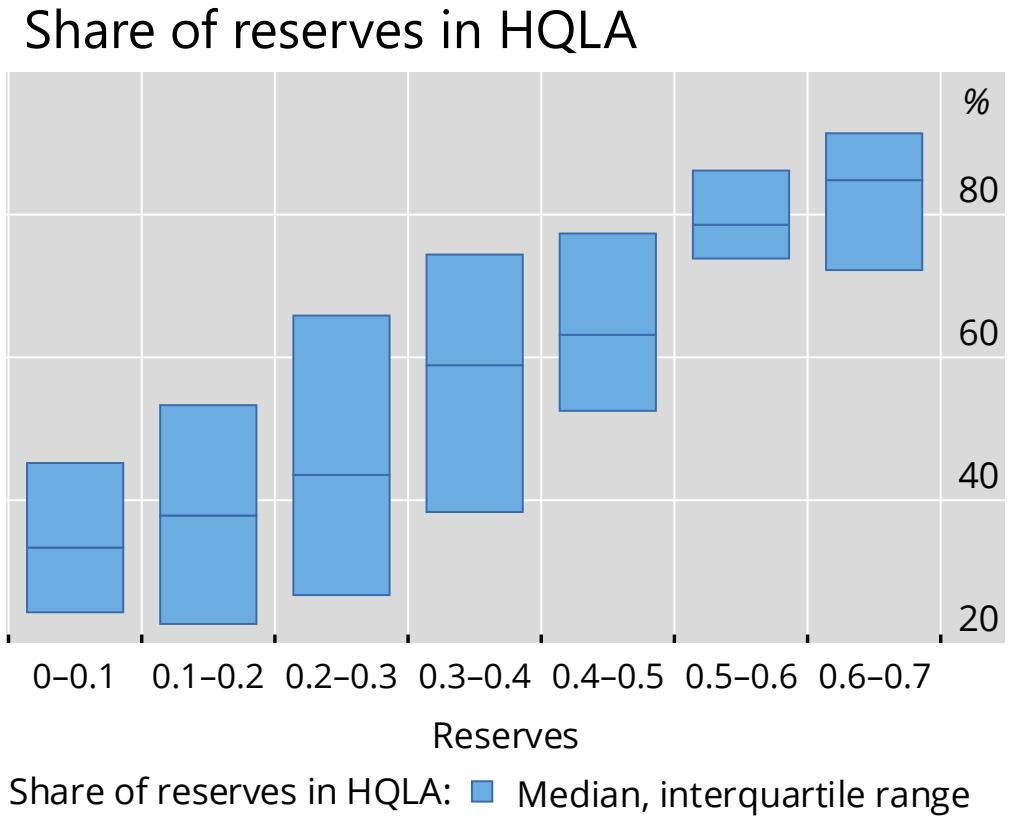
Secured markets



Sources: National central banks; Office of Financial Research; LSEG Datastream; BIS.

The share of reserves in HQLA increases with reserve levels but not the LCR

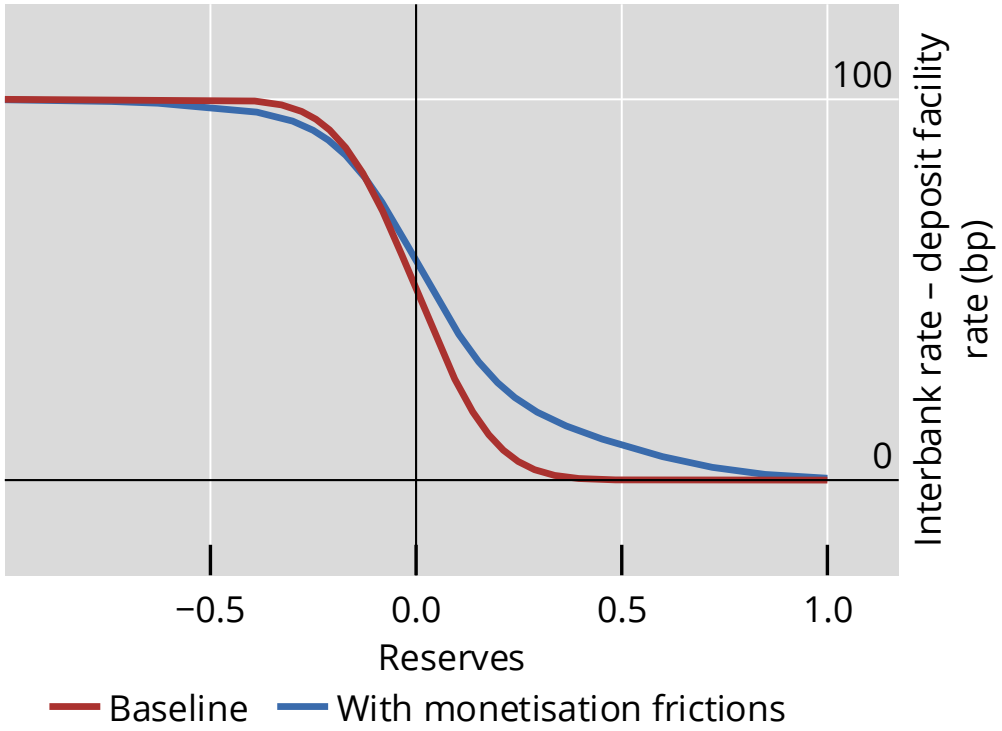




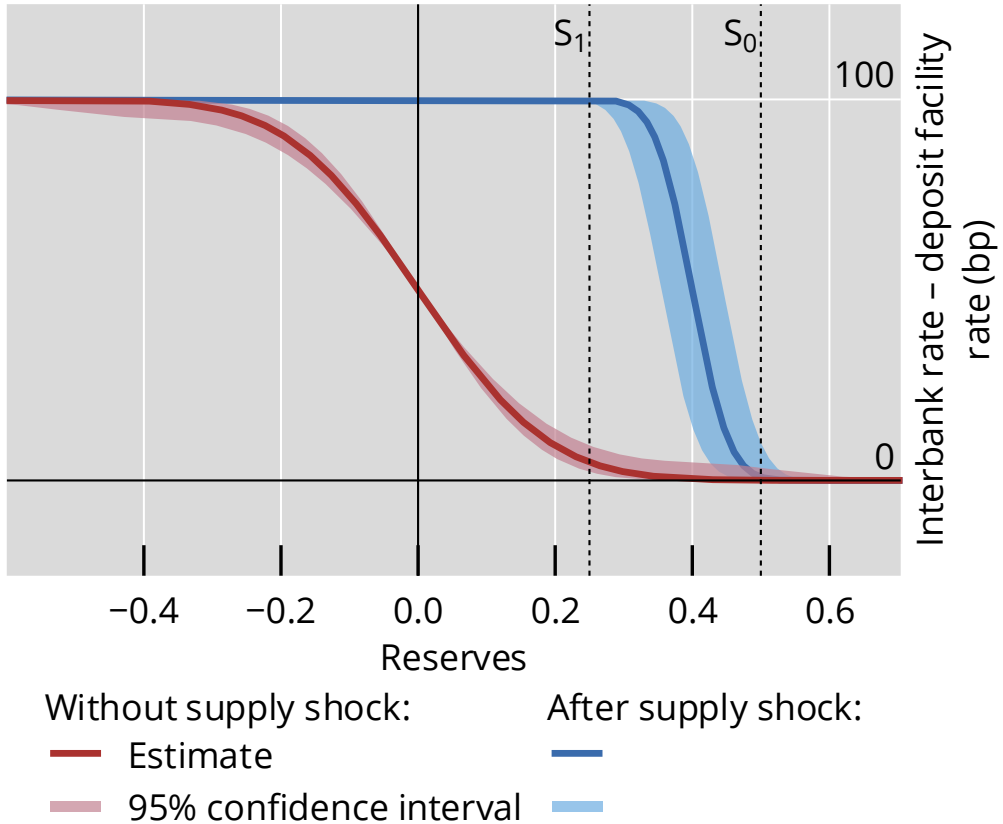
Sources: National central banks; LSEG Datastream; S&P Global Market Intelligence; BIS.

The effects of monetisation frictions and fragmentation

Reserve demand with monetisation frictions



Reserve demand if interbank markets fragment endogenously



S_0 = original reserve supply; S_1 = reserve supply after negative supply shock.

Sources: Drehmann and Fu (2026); BIS.